

**NEIGHBORHOOD ASSISTANCE PROGRAM (NAP)
INDIVIDUAL AND TRUST DONOR FACT SHEET**

July 1, 2011 – June 30, 2012

Individual Donations:

Neighborhood Assistance Program (NAP) State tax credits may be available to an individual or married couple making a donation of **cash** or **marketable securities** directly to an approved NAP nonprofit organization. Tax credits for an individual donor are based on 40 percent of the donation value. To qualify, individuals must donate at least \$500. If all available credits are allocated, a maximum limit of \$50,000 in tax credits per individual or a married couple per taxable year may be imposed.

Individual NAP tax credits will only be issued based on donations of cash or marketable securities. **All other donations, including but not limited to: goods, real estate or services are not eligible for individual NAP tax credits.**

Trust Donations:

Donations made from a Trust must follow NAP Business guidelines and must be at least \$1,000. Tax credits are based on 40 percent of the donation value. The Trust must complete Form PTE after receipt of NAP Tax Credit Certificate. Mail the completed Form PTE and a copy of the Tax Credit Certificate to the Virginia Department of Taxation. The Department of Taxation will not be able to process an individual return that claims a tax credit for a Trust until the necessary information has been received. For complete details please see NAP Business Donor Fact Sheet.

General Provisions for Individual and Trust Donations:

- Please consult the approved NAP nonprofit organization to determine the availability of NAP tax credits. NAP tax credits are limited, and availability is based on the allocation of credits to an approved NAP nonprofit organization.
- Donations must be made directly to the approved NAP nonprofit organization with no restrictions. A third party donation, such as a designation through another nonprofit organization (i.e.: United Way, JustGive, etc.) is not eligible for NAP tax credits.
- Determining the effect of making a donation for tax credits on a donor's tax liability is the sole responsibility of the donor. Before making a donation, or when tax-related questions occur, donors are encouraged to seek advice from their tax accountant or other tax advisor.

Completing NAP Contribution Notification Form (CNF):

A NAP Contribution Notification Form (CNF-E) must be completed for all individual and Trust NAP donations. CNF-E form must be completed as follows:

- Donor must complete Part I and II of the CNF-E and send the form and all supporting documentation to the approved NAP nonprofit organization.
- The approved NAP nonprofit organization will then complete Part III, and mail the original CNF-E and supporting documentation to VDSS for processing.
- A tax credit certificate will be mailed directly to the donor within six to eight weeks from the date VDSS receives the CNF-E and supporting documentation.

NEIGHBORHOOD ASSISTANCE PROGRAM (NAP)

BUSINESS DONOR FACT SHEET

July 1, 2011 – June 30, 2012

Overview:

Neighborhood Assistance Program (NAP) State tax credits may be available to any business entity authorized to do business in the Commonwealth of Virginia, to a licensed health care professional donating services to an approved NAP nonprofit organization with a health care clinic, to a licensed pharmacist providing services to a 501(3) clinic referred by an approved NAP organization, or to any trust or fiduciary for a trust subject to tax imposed by Article 6 (§ 58.1-360 et seq.) of Chapter 3 of the Code of Virginia.

To qualify, donations must be made in the form of one of the following:

- Cash
- Merchandise
- Rent/Lease Facility
- Professional Services
- Stock
- Real Estate
- Contracting Services
- Health Care Services

NAP tax credits may be available to a business making a donation of at least \$1,000 but no more than \$437,500. NAP tax credits for business donors are based on 40 percent of the donation value.

The NAP tax credit can be applied against any Virginia state tax due under Articles 2 (§ 58.1-320 et seq.) and 10 (§ 58.1-400 et seq.) of Chapter 3, Chapter 12 (§ 58.1-1200 et seq.), Article 1 (§ 58.1-2500 et seq.) of Chapter 25, or Article 2 (§ 58.1-2620 et seq.) of Chapter 26 of Title 58.1, or Article 6 (§ 58.1-360 et seq.) of Chapter 3 of the Code of Virginia.

General Provisions for Business Donors:

- Please consult the approved NAP nonprofit organization to determine the availability of NAP tax credits. NAP tax credits are limited, and availability is based on the allocation of credits to an approved NAP nonprofit organization.
- Discounted property, partial donation or bargain sales are not allowable for NAP donations. All donations must be made without any conditions or expectations of compensation or other benefits.
- Donations must be made directly to the approved NAP nonprofit organization with no restrictions. A third party donation, such as a designation through another non-profit organization (i.e.: United Way, JustGive, etc.) is not eligible for NAP tax credits.
- Determining the effect of making a donation for tax credits on a donor's tax liability is the sole responsibility of the donor. Before making a donation, or when tax-related questions occur, donors are encouraged to seek advice from their tax accountant or other tax advisor.

Health Care Professionals:

Health care professionals who provide health care services within the scope of their licensure, without charge, to patients of a clinic operated by an organization that has received an allocation of tax credits may be eligible to receive NAP tax credits. The value to be used for donated health care services must be agreed to by the donating professional and the NAP organization prior to the services being donated. The value of these services cannot exceed the lesser of reasonable and customary charges for similar services from other providers or \$125 per hour.

A pharmacist who donates pharmaceutical services to patients of a § 501(c)(3) nonprofit clinic at the direction of an approved neighborhood organization may be eligible for NAP tax credit regardless of where the services are delivered.

Completing NAP Contribution Notification Forms (CNF):

A NAP Contribution Notification Form (CNF) must be completed for all NAP donations. CNF forms must be completed as follows:

- Donor must complete Part I and II of the CNF and send the form and all supporting documentation to the approved NAP nonprofit organization.
- The approved NAP nonprofit organization will then complete Part III, and mail the original CNF and supporting documentation to VDSS for processing.
- A tax credit certificate will be mailed directly to the donor within six to eight weeks from the date VDSS receives the CNF and supporting documentation.

Pass-Through Businesses and Trusts:

All pass-through businesses (Sub S, Partnership, LLP, LLC, PC, etc.) and Trusts must complete Form PTE (after receipt of NAP Tax Credit Certificate) and submit it with a copy of the Tax Credit Certificate to the Virginia Department of Taxation. Form PTE will be mailed to donors with the NAP Tax Credit Certificate.

Additional PTE forms can be obtained from the Department of Taxation's website (www.tax.virginia.gov) under the *Service* Heading, click on *Need Form*, under *Business Form & Instructions*, click on *Download Forms*.

Required Supporting Documentation For Business Donors:

- Cash:** Donations must be made by check. For verification purposes, a copy of the check(s) must be submitted with the **CNF-A**.
- Marketable Securities:** The value of stock is the Fair Market Value on the valuation date. Valuation must be determined in accordance with IRS standards. Supporting documentation for donations of stock must be submitted with the **CNF-A**.
- Merchandise:**
- Merchandise to be Used by approved NAP nonprofit organization:** The value of new or used merchandise donated is determined using IRS standards. The amount listed should normally be the same as used for federal tax purposes. (See IRS Publication 561 for additional information on determining value of donations)
- Merchandise to be Sold, Auctioned, or Raffled by approved NAP nonprofit organization:** The value of merchandise (excluding motor vehicles) donated for the purpose of being sold, auctioned, or raffled by approved NAP nonprofit organization is the **lesser** of the **actual book cost** of the item **or the proceeds received** by the organization.
- The value of a motor vehicle is determined using IRS standards.** Items that have been fully depreciated/expensed have zero value and are not eligible for NAP tax credits. **Donated goods must be owned by the donor business.**
- Supporting documentation for donations of merchandise must be submitted with the **CNF-A**.
- Real Estate:** For donated real estate, documentation must be submitted to the approved NAP nonprofit organization in accordance with IRS standards. A copy of a current appraisal and recorded deed of transfer for donations of real estate must be submitted with the **CNF-A**.

Health Care Services:

NAP tax credits may be awarded to the follow health care professionals licensed under Title 54.1 who provide health care services free of charge within the scope of their licensure to a NAP approved clinic:

- Physicians
- Dentists
- physician assistants
- optometrists
- nurses
- clinical social workers
- marriage and family therapists
- Pharmacists
- Chiropractors
- nurse practitioners
- dental hygienists
- professional counselors
- clinical psychologists
- physical therapists

The value to be used for donated health care services must be agreed to by the donating professional and the NAP organization prior to the services being donated. The value of these services cannot exceed the lesser of **reasonable and customary charges** for similar services from other providers or **\$125 per hour**.

A copy of the signed **Service Contribution Data Sheet** must be submitted with the completed **CNF-B**. If additional space is needed, a spreadsheet listing the name of the individual providing the service, type of service provided, job title, date(s) of donation, hourly rate, total hours worked per day, and total value for services may be submitted with the completed **CNF-B and signed Service Contribution data sheet**.

NAP tax credits may be awarded to a licensed pharmacist providing services to a 501©3 free clinic when such pharmaceutical services are performed at the direction of an approved neighborhood organization regardless of where the services are delivered.

A copy of the signed **Service Contribution Data Sheet** for a Pharmacist must be submitted with the completed **CNF-H**. If additional space is needed a spreadsheet listing the name of the individual providing the service, name, address and telephone number of the 501©3 free clinic where services are provided, dates of donation, hourly rate, total hours worked, and total value for services may be submitted with the completed **CNF-H and signed Service Contribution data sheet**.

Professional Services:

Professional services eligible for NAP tax credits are limited to:

- accounting
- architecture
- law
- medicine
- pharmacy
- veterinarian
- actuarial services
- land surveying
- dentistry
- optometry
- professional engineering

The business donor and NAP organization **must agree on the value for donated services prior to the services being donated**. In **sole proprietorships, partnerships or limited liability companies**, the value of professional services rendered by the proprietor or a partner to an approved NAP nonprofit organization **must be the lesser of the reasonable cost for similar services** from other providers **or \$125 per hour**.

Professional Services
Continued:

A business firm may be allowed tax credits for the time spent by a **salaried employee** who renders professional services to an approved NAP nonprofit organization. For purposes of determining the amount of tax credit allowed for salaried employees, the **value** of the professional service is the salary that the employee was actually paid for the period of time professional services were provided (Operating overhead and benefit costs are not to be included); not to exceed \$125 per hour. All donations of staff time are to occur during the employee's normal work hours.

A signed copy of the **Service Contribution Data Sheet** must be submitted for all donations. If additional space is required a spreadsheet listing the business name, contact person, job title of the individual providing the service, type of service provided, date(s) of donation, hourly rate, total hours worked per day, and total value for services must be submitted with the **CNF-C** and signed **Service Contribution Data Sheet**.

Contracting Services:

Contracting Services are defined as a business firm licensed under Title 54.1 by the Commonwealth of Virginia as a contractor of labor or technical advice that aids in the development, construction, renovation, or repair of homes of impoverished people or buildings used by an approved nonprofit organization.

In **sole proprietorships, partnerships or limited liability companies**, the value of contracting services rendered by the proprietor or a partner to an approved NAP nonprofit organization **must be the lesser** of the **reasonable cost for similar services** from other providers **or \$50 per hour**.

A business firm may be allowed tax credits for the time spent by a **salaried employee** who renders contracting services to an approved NAP nonprofit organization. For purposes of determining the amount of tax credit allowed for salaried employees, the **value** of the contracting services **is the salary that the employee was actually paid** for the period of time contracting services were provided (Operating overhead and benefit costs are not to be included); not to exceed \$50 per hour. All donations of staff time are to occur during the employee's normal work hours.

A signed copy of the **Service Contribution Data Sheet** must be submitted for all donations. If additional space is required a spreadsheet listing the business name, contact person, job title of the individual providing the service, type of service provided, date(s) of donation, hourly rate, total hours worked per day, and total value for services must be submitted with the **CNF-C** and signed **Service Contribution Data Sheet**.